

**BE PREPARED? AN OUTSIDE-IN PERSPECTIVE ON THE FUTURE PUBLIC
SECTOR IN EUROPE**

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ABSTRACT

This paper takes an outside-in perspective on recent public sector reforms in Europe. It selects three of the most consequential and probable external trends, and then looks at how far management reforms are anticipating them. The conclusion is that EU government responses to predictable external trends have been limited and unstrategic. Many official studies of climate change and demographic change have been written, but concrete responses such as resource prioritisation and relevant public management reforms do not seem to have been substantial. There is a disconnect between mainstream public management reforms and the biggest external pressures public sectors are now beginning to face. Academic public administration has also been slow to respond to these ‘megatrends’ but has considerable potential for contributing to their amelioration.

KEYWORDS

Austerity. Climate change. Demographic change. Public management reform. Budgeting. Future trends.

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Introduction: outside-in

'Outside-in', in the context of this paper, means that we begin with the external environment of public administration, and look at what some of the most probable and salient features of that environment will be over the next 10-20 years. Population ageing and climate warming are two obvious examples. A third, at least in the medium term, is continued fiscal austerity (although this differs from the first two to the extent that it is a chosen policy rather than an inexorable process - Blyth, 2013). We trace out the implications these trends appear to have for the organization of the public sector. Finally, we ask how far current major public management reforms and budgetary strategies address themselves to these implications. In short, are governments moving to deal with the problems which the external environment will pose?

Perhaps surprisingly, this 'outside-in' perspective is fairly unusual in academic public administration. The mainstream academic journals have carried few articles directly addressing these pressures, more often concentrating on current theoretical and conceptual themes, or on analysing recent reform initiatives (Pollitt, 2015). Some of these theoretical approaches have potential for addressing the consequences of environmental trends, but in most cases this potential has yet to be harnessed. Public administration (PA) academics seem to have been slower to address the 'outside-in' agenda than their colleagues in economics, geography, politics, sociology or urban studies (see, e.g. Bulkeley and Newell, 2010; Giddens, 2011; Harper and Hamblin, 2014; Mayer, 2012; Toi, 2014; Vogler, 2014). A few have made contributions, but mainly in interdisciplinary journals rather than the core journals of the field (e.g. Vink et al, 2013, p53). Nevertheless, in a later section we will focus on the question of what may be some of the most fruitful theoretical and conceptual contributions the PA academic community could make. Obviously, these are very broad issues. For that reason, and because of the thinness of previous coverage in mainstream PA journals, this is perforce an exploratory effort. It synthesizes a great deal of material. Our argument is that the question itself - which could be summarized as 'how are we preparing for the probable future?' - is of such importance that even a preliminary sketch is worth having. This is a huge subject, and we can only superficially scratch its surface. Hopefully, such scratching will prove irritating enough to provoke others to dig deeper.

The nature of an externally-oriented perspective

An 'outside-in' approach to the public sector rests on a simply-stated proposition. It is that public sectors of the medium term future are likely to be shaped by major external forces, just as the public sectors of the past have been (Andrews, 2013; Lynn, 2006; Pollitt and Bouckaert, 2009). Two brief examples will have to suffice as illustration. First, there were

the effects of the global economic turmoil of the 1970s as midwife to widespread public sector reform programmes across Europe and beyond, and to the birth of NPM. Second, there are the large changes in the organization of public agencies which have resulted from their progressive digitalization since the early 1980s (Dunleavy et al, 2006; Pollitt, 2012, pp1-5). These external currents may be economic, technological, political or cultural, but they oblige public administrations to change their skills, their attitudes, their practices and their organizations.

Such outside forces will not, of course, be the only influence. They will act upon and through a set of existing structures, cultures and processes, and this set will vary considerably from one country to another. They will act alongside and through other more endogenous influences, such as new management ideas and doctrines. But they *will* have an impact, however mediated, and it will not be a negligible one. The question of what such 'outside-in' trends are likely to be is therefore worthy of study, as is the consequent question of what implications they have for public management.

There is not one theory of how to identify future trends, or to assess their likely consequences. An outside-in approach may be pursued using one or more of a variety of theoretical and methodological apparatuses. Furthermore, all approaches to predicting or forecasting are vulnerable to error. Economics, for example, has a whole history of spectacularly mistaken or blind forecasts, very much including those relating to previous fiscal crises, the economic crisis of 2007/8 and the results of subsequent austerity policies (Hood et al, 2014; Pianta and Bramucci, 2012; Skidelsky, 2012). The first quality we should bring to this exercise is therefore one of humility. What is being constructed here is no more than one, hopefully plausible, way of exploring what some of the contemporary predictions imply. . To keep feet on the ground the focus will be exclusively on high probability, non-ephemeral trends and events – extended and extensive processes that are already beginning to be with us.

Thus some external circumstances are fairly sure and solid – we can, so to speak, count on them. For example, barring global catastrophes of disease or war, we can be confident that in the near future the population of elderly people in Europe will continue to grow larger relative to that of younger people, because these soon-to-be-old people already exist. Further, we can be confident that this demographic shift will considerably increase the demand for many kinds of health care and social care services, most of which are currently paid for and provided by – or at least extensively subsidized by - public authorities. We already know, therefore, and have known for some time, that this is going to be a public sector pressure point. Other external circumstances appear very likely but are less sure. For example, rising sea levels and the growth of extreme weather episodes (climate change) have huge implications for public authorities in many parts of Europe, but we are much less sure of exactly when, where and how fast these levels and episodes will increase. There are considerable scientific debates about the best methodologies for making estimates and, in any case, the rates and extent of change can be affected by public policy decisions which have yet to be taken or implemented. Nevertheless, there is an overwhelming consensus that global

warming is underway, and that it lies behind a number of extreme and damaging weather episodes we have already suffered (IPCC, 2007, pp2-5; IPCC, 2014)

In the immediate future we can also be very confident that fiscal stress will continue to dominate the agendas in most EU member states. Austerity is with us and is not going to go away soon. It is *external* in the sense that, although a chosen policy response to the, successive global financial and economic crises of from 2007 onwards, it has been experienced by national public administrations as something that is pervasive and simply comes from above – rather like the weather.

Other external events are much more uncertain. We know that they *may* come about, but the 'if' and 'when' questions are impossible to offer any safe answer to. For example, if certain viruses improved their ability to 'jump' from other species to human beings, then Europe could be faced with hugely consequential pandemics that would involve governments in many vital ways. This paper does not cover these lower probability events. This outside-in way of approaching the future has both advantages and disadvantages. One advantage is that it directs itself to relatively concrete external events and circumstances rather than the more abstract world of models and concepts of management. Another advantage is that external circumstances obviously vary across different contexts, and therefore this is an approach which immediately alerts its users to contextual variation (Pollitt 2013). As the EU Commission wrote of climate change: 'Impacts vary across the EU depending on climate, geographic and socioeconomic conditions' (European Commission, 2013, p2). A disadvantage of our outside-in approach, however, is that it starts at quite a distance from the specifics of organizations and their powers, personnel and budgets, so what we learn from it may not be easily translatable into immediate prescriptions for organizational change. We will focus mainly on EU governments. We draw no conclusions in respect of other regions.

Materials analysed

Many of the sources we draw on are by practitioners or are commissioned by practitioners. We have looked for relevant materials among the reports and working papers of the OECD public governance section, the European Commission, national governments in the EU, their principal scientific advisory bodies and the leading international public management consultancies – KPMG, PWC, Deloitte and Ernst and Young. Our selection has been informed by keyword searches of institutional websites, and by informal guidance from national experts in Estonia, Finland, France, Germany, Italy, the Netherlands, Romania, Sweden and the UK.

It is unusual to give much space to the publications of management consultancies, but we would argue that this is warranted by a) the large international influence these organizations have built up over the last two or three decades - at least in some countries - and b) the previous neglect of them in most academic public management (National Audit Office, 2009; Saint Martin, 2005).

This mass of material falls into two distinct groups. First, there is the material specifically and purposefully focussed on external contingencies – such as scientific reports on climate

change. Second, there is the general official literature on budgeting and public management reform. We are particularly interested in the extent to which these two bodies of publications are consonant and connected. How far are the scientific and sectoral findings with respect to external trends reflected in general public sector budgeting and reform policies?

We have also accessed mainstream academic journals but, for the reasons already stated, have generally found them less focused on our principal subject matter than the practitioner literature. A review of the past five years issues of seven leading journals yields few papers focused on climate change or population ageing (Governance, IPMJ, International Review of Administrative Sciences, JPART, PAR, PMR and Public Administration were consulted). The effects of fiscal stress have attracted rather more attention (e.g. Bach and Bordogna, 2013; Lodge and Hood, 2012) but even here detailed empirical analyses of what happens on the ground are only just beginning to appear. Sometimes the most interesting academic work turns out to be contained within publications that are not predominantly about the future context, or, at least do not show up on a 'futures' keyword search (such as Demmke and Moilanen, 2010, Dunleavy et al, 2006; Hood and Lodge, 2012). It should also be noted that some of the most relevant contributions from PA academics come in the form of books, which are not picked up by searches of journals (e.g. Hood et al, 2014). A few of these are cited in what follows.

Predictably, the total volume of practitioner plus academic material was too great to be absorbed and analysed, and selections were prioritized by quick inspection of titles and abstracted contents. Therefore it is entirely possible that some significant documents have been missed. On the other hand, a great deal of material has been covered - enough to afford a broad impression, consonant with a preliminary exploration. A second limitation is that most of the documents studied are in English – even if they are official translations of German, Swedish etc. originals. The Anglocentricity of the paper is acknowledged and discussed later in the text. Third, although the paper claims European scope, not all countries are covered. EU member states from the north and the south, the west and the east are referred to. But there may be other European states which diverge from the findings presented here.

Key contextual influences

The selection of the key contextual factors has been largely guided by what policymaking practitioners and their advisers are themselves focussing upon. Following their literature we have identified three main factors:

1. Demographic change
2. Climate change
3. Fiscal austerity.

All these are regularly cited in the publications of national governments, of the OECD and World Bank, and of the big international management consultancies as having major medium and long term impacts. All can be seen as 'wicked problems', where we take the main characteristics of wickedness as being i) high inherent complexity and causal uncertainty -

many inter-acting variables; ii) different publics assign different meanings to the problem - it is variably 'framed' and iii) the consequences of the problem affect many sectors and groups - they cannot adequately be dealt with by one ministry or agency (Pollitt, 2015, p181; Vink et al, 2013, p93). We will now deal with each issue in turn, summarizing what has been said about them, and what their chief implications seem to be for the public sectors of the future.

Obviously there are other external factors which could have major impacts – such as new technologies (Dunleavy et al, 2006; Fishenden and Thompson, 2013; Pollitt, 2012) or major shifts in public attitudes to governments (Llewellyn et al, 2013; Newton, 2007). Regrettably, these must wait for another day – the three influences we have selected are already more than enough for one article.

Demographic change

In almost all EU countries the share of the population represented by the elderly is increasing and will increase further. Table 1 gives a brief illustration of this trend.

[TABLE 1: AGEING POPULATIONS [about here](#)]

'[A]geing is a sweeping megatrend that all societies need to assess and prepare for' (Timonen and Kautto, 2014, p280). The economic and fiscal implications are profound. Unless many older people work for longer, a proportionately smaller workforce is going to have to support a proportionately bigger retired population. More pensions, healthcare and social care will be 'consumed' by these older generations – and pensions and healthcare tend to be the two largest single public spending programmes. To take just one example, the healthcare system is already experiencing an increase in the number of cases of many of the most common types of cancer, and a major factor in this is simply that more cancers develop the longer people live. Treating cancers is, of course, both an expensive and a labour intensive operation. It is also one where, unless governments keep a close eye, serious inequalities of treatment can develop as between different social groups and geographical localities. Less threateningly, hearing loss also increases markedly with age, and it is estimated that 55% of people over the age of 60 have some degree of hearing impairment. A growing elderly population implies a huge increase in the demand for the wide range of devices and services. The academic consensus is that an ageing population equals a substantial increase in healthcare spending (Westerhout, 2014). The ageing trend will not affect all areas or countries equally (Wolf and Amirkhanyan, 2010). In some places an increasing elderly population may be balanced by high birth rates and/or immigration. Other communities may simply age without any offset, indeed the local population may suffer absolute decline (e.g. in some of the rural areas in the Nordic countries). So the precise effects on local expenditures, revenues and services will vary considerably.

There are also important differences, within the EU, as to how pensions, health and social care are financed and organized, as well as in forecast rates of ageing and the degrees

to which 'kinship solidarity' (intra-family provision of care and transfers of money) can be expected to play a role alongside public provision. For example, in the next 30 years the increase in the proportion of the population over 65 will be much greater in Italy and Spain than in the UK (Galasso and Profeta, 2014). Table 2 gives details for selected EU members states, north, south east and west.

[TABLE 2; AGE DEPENDENCY RATIOS – [about here](#)]

Similarly there is considerable variation in the role that third sector organizations play in care for the elderly – typically they are strongly represented in Austria, Belgium and Germany, for example, but more marginal to direct public provision among the Nordic states and in the UK.

Many EU member states have set up national commissions or research projects to assess these developments, and one can already see a variety of government responses, including, most visibly, increases in the retirement age (OECD, 2013c). The recent KPMG report on fiscal sustainability makes it clear that, in KPMG's view, what it calls the 'intergenerational cycle' needs to be actively planned for. It recommends that each government should prepare a regularly updated 'intergenerational report' and should adjust policies such as pension policies and 'health annuation' policies to anticipate demographic change (KPMG, 2013b, pp33-35). Another consultancy, Deloitte, say that, despite current austerities, 'demand for public spending will continue to grow because of our ageing society' (Deloitte/Reform, 2013, p2). The dramatic conclusion they draw is that 'Government as we used to know it is unaffordable' (p2)

The operational implications for public authorities are extensive and varied (Audit Commission, 2010; Harper and Hamblin, 2014). . Most obviously, additional resources will need to be focused on this cohort, if the current quality of life for the elderly is to be maintained, let alone improved (Hills, 2015, pp241-248). However, handing out more resources alone will hardly suffice. There will also need to be an increase in several types of capacity, including the capacity to assess the needs of elderly citizens; the supply of skilled personnel to meet those needs; the provision of a range of communication devices to assist those who are partly or wholly confined to their homes, and the availability of specialist facilities of various kinds and levels. Yet, in the UK at least, 'Most councils don't know enough about the costs of their ageing population, or the savings from preventive and collaborative action, to take important decisions' (Audit Commission, 2010, p4). Also, in the labour market, many elderly people are willing to work but find the attitudes, pressures or regulations of contemporary employment hinder their ambitions, Public authority policies and changes in legislation and regulation have important parts to play in reducing these barriers and, indeed, in beginning to shift some ingrained cultural assumptions about old age. Both substantive policies *and* internal administrative structures and processes will therefore have to change.

Demographic change also has a direct impact on public services. Many public services contain a disproportionate number of the 'baby boomer' generation, a cohort which is now

retiring fast. This creates both dangers and opportunities. There are dangers that experience, expertise and crucial skills will be lost and not adequately replaced. There are opportunities to replace older and often more expensive workers with younger, less expensive and more appropriately-skilled staff. A recent OECD study stated that:

'The workforce is ageing in many OECD member countries, in some cases even more rapidly than the rest of society and the wider labour market...An ageing public workforce increases the fiscal burden while decreasing the immediate capacity to respond to the general challenges of the population ageing. The large number of retirements from the public service will affect capacity for service delivery' (OECD, 2013a, p6)

The leading management consultancies also recognise the importance of demographic change within public services. PWC, for example, argues that:

'Public service bodies may... need to reconfigure existing work styles, cultures and preferences to meet the needs and expectations of this emerging generation. This may entail moving away from traditional nine to five working days and embracing flexible work times that reward effectiveness and achievement of clearly stated targets. It may also mean creating an easier path between the public and private sectors...' (PWC, 2013, p38).

Whilst modest moves in these directions have already been made in some EU member states, others have done very little. Even in the more 'flexible' public services, it is hard to attract high-aspiring young people when austerity policies mean that numbers and organizations are being downsized, pay is frequently frozen and pension entitlements are being reduced.

Climate change

Climate change is already important for public authorities in a myriad of ways. Most dramatically, it will lead to increased floods in some areas and increased droughts in others – and these extreme events will cause both loss of life and destruction of property. But the less television-worthy aspects are in some ways even more consequential. Global warming will change the conditions for agriculture and water supply; it may well alter the patterns of disease, it will impact on building and construction requirements, and it could well give rise to significant population movements. A range of threats to national, local and organizational security are being actively debated (e.g. Maas et al, 2014). The expert consensus is that the impacts on the Mediterranean countries will be more adverse than those further north, with the Nordic group of countries even gaining some advantage from longer, warmer growing seasons. Rising sea levels are obviously mainly a threat to low-lying areas such as East Anglia in the UK or much of the Netherlands, but river floods and more violent storms are likely to impact much wider areas, while drought could be the chief threat in parts of Spain and Italy.

In a 2013 Communication The EU Commission spelled out what it considered public authorities would need in order effectively to adapt to climate change (European

Commission, 2013). It notes that whilst 15 of the 27 EU member states have adopted adaptation strategies, in most cases few concrete measures have yet been implemented. It goes on to identify knowledge gaps that will require focused research. These include estimates of the costs (and occasionally benefits) of damage resulting from climate change, risk assessments at regional and local levels; frameworks and tools to assist in the evaluation of the various possible adaptation measures and means and indicators for monitoring progress. There will be a need to develop new industry standards in the areas of energy, transport and buildings in order to ensure a more climate-resilient infrastructure. Thus, as with demographic change, both new externally-oriented policies and new internal administrative arrangements will be required.

Again, one can immediately see considerable variation in existing approaches to these issues. Germany shares a long border with Poland, and both countries have strong historical dependencies on coal for energy generation. Their national policy stances have, however, been sharply contrasting, with Germany developing an ambitious national plan for moving over to more sustainable modes of energy production while Poland has tended to dig in and defend its existing arrangements (Frick and Schultz, 2014 and Nowak, 2014). It is also clear that sub-national levels of governance are very important, with much activity in many countries at city level (for Dutch and German examples see Zwicker-Schwarm, 2014 and Cramer, 2014). As always, it is easier to make general statements of intent and set broad national targets than to carry through detailed implementation, often in the face of organized vested interests. In the UK the Conservative/Liberal Democrat coalition government came to office in 2010 trumpeting a strong 'green agenda' but the economic downturn and other factors have subsequently greatly diluted these good intentions.

The KPMG report on 'global megatrends' identified climate change as one of nine developments that would have major impacts on governments and citizens (KPMG, 2013a). It concluded that: 'while there have been ongoing efforts to coordinate global responses to combat climate change, these will need to be accelerated to prevent the most devastating impacts of rising CO₂ emissions' (ibid., p52). Therefore governments need to become better integrated, horizontally and they also need to increase active co-operation with other governments and with international institutions.

The report then discusses a set of characteristics which it suggests will be typical for 'leading practice' governments in the future (ibid., p60). These characteristics, which include more evidence-based policymaking, more long term thinking, and more market testing of providers, are contrasted with 'characteristics of typical constraints facing some governments today' (ibid., p60). These latter include the problems that 'policy is subject to the vagaries of political expediency, trial by media and vested interests' and that 'Policy solutions are flavoured by short to medium-term thinking' (ibid., p60). There is, however, little discussion of how governments are supposed to get from the 'constraints' of the present to the 'leading practice' of the future. Climate change is also one of the 'wicked problems' cited in a study by five EU governments entitled *Governments for the future* (Ministry of Finance, 2013, pp15-17). The study argues that problems such as climate change, ageing populations and fiscal austerity require more horizontally-integrated, evidence-based and

innovatory government processes, and suggests that the centers of governments need to gear up to facilitate such processes in a variety of ways.

Sweden is an example of an EU state which has carried out a detailed study of the implications of climate change for land planning and flood and storm protection. The Swedish Commission on Climate and Vulnerability laid out the consequences for emergency management and other public services (Swedish Commission on Climate and Vulnerability, 2007). That report recommends a lengthy list of new powers and responsibilities for state agencies and local governments, but it is not yet clear how much of this will happen.

In the Netherlands an independent scientific advisory body also produced a major report in 2007: *Climate strategy – between ambition and realism* (Scientific Council for Government policy/WRR, 2007). It, too, identified a long list of likely impacts, and discussed some of the consequences for government. One major conclusion was that 'The government needs greater powers to steer the implementation of major water management projects' (ibid., p40), and another was that better co-ordination was required between water management policy and physical planning policy. The report highlighted some of the difficult issues facing Dutch authorities at various levels when, in a very crowded, high density landscape, climate change implied that areas designated for construction would need to be re-designated as 'room for the river' – i.e. subject to periodic inundation.

These Swedish and Dutch examples are illustrative of a larger population of scientific studies which have been produced by advisory bodies in a number of EU member states. They are not, note, policy decisions, still less implemented programmes. They all envisage both new policies and new administrative capacities to facilitate those policies.

Other implications are that emergency organizations need to be trained and equipped for larger and more frequent climatic emergencies. Health services should plan for alterations in the patterns of disease. Public education campaigns should be launched to try to ensure that citizens do all they can to protect themselves and their properties from storms and floods. Farmers may need new incentives to promote agricultural practices that help adaptation to climate change.

Beyond this, however, are other likely effects on an even larger and/or more dramatic scale. Dwindling water supplies and widespread inundation in certain parts of the world are predicted to generate substantial – sometimes desperate – population movements, as well as international conflicts over scarce resources. The relatively wealthy and less climatically hard-hit states of western and northern Europe could easily be faced with consequent aid, security and immigration problems.

In sum, we will need public service staff to be able to understand scientific and technological issues, and co-operate closely with scientists, technologists and engineers. We will need to develop larger capacities for working across organizational silos, across different levels of government, and in partnership with a range of non-governmental organizations, and with the public (Bulkeley and Newell, 2010, pp87-104). Public authorities will also require both the authority and the capacity to measure and monitor a wide range of processes and effects, to

construct scenarios, and to plan on the basis of resilience in the face of many unknowns and unpredictables. Project management skills will be in wide demand, not least because of the many changes to basic systems of energy generation and use that will be required to facilitate the transition to a lower carbon future (Bulkeley and Marvin, 2014). At the sharp end, emergency services will need to be trained and equipped to handle more frequent instances of extreme weather, including storms, floods and heat waves. Development ministries, border authorities and the military may be required to respond to new external demands and pressures (German Advisory Council on Global Change, 2008; Mayer, 2012). Governments and public services will inevitably be involved in all these activities and more. They will be in the front line for both mitigation and adaptation. Their claims to legitimacy as guardians of the public interest and protectors of the common citizen will be tested to the limit by 'the greatest collective action problem the world currently faces' (Bulkeley and Newell, 2010, p111)

Economic trajectories in the EU

Most European public sectors have been seriously affected by the global fiscal crisis, the following economic crisis, and the consequent Eurozone crisis. Greece, Ireland, Portugal and Spain have been particularly hard-hit, and the UK has also carried through a programme of public spending cuts larger than any others since the 1920s. This 'age of austerity' has naturally attracted wide interest from both the practitioner community (e.g. KPMG, 2013b; OECD 2012) and from academics (Hood et al, 2014; Kickert, Randma-Liiv and Savi, 2013; Pollitt, 2010). Austerity intersects with the other two external trends we have already discussed:

'As nations cope with the resulting imbalances, they will also be dealing with longer term fiscal pressures stemming from the ageing of populations and rising health-care costs. In contrast to previous recessions, the return of strong growth will not end the fiscal gaps facing these nations but will serve as the prelude for even more difficult and wrenching choices' (Posner and Blöndal, 2012, p11; see also Hills, 2015)

In other words, our three megatrends are heavily interacting. Cuts in expenditure, driven by the perceived priority of fiscal balance, make preparation for the impacts of climate change and population ageing even more difficult.

The economic crisis has impacted different EU states very differently. In very broad terms, the Mediterranean states may have the worst of all worlds – the biggest adverse climate changes, the most challenging ageing dynamics and proportionately the largest spending reductions – all piled on top of some of the less flexible and capacious administrative systems.

In one of the small number of future-oriented articles by public administration academics, the theme of different impacts on different states was taken up in detail by Lodge and Hood (2012). Their analysis brought together three principal dimensions: the financial vulnerability of each state, the predictable impacts of demographic change, and the likely consequences of environmental risk (climate change). Lodge and Hood argued that in terms

of these three 'outside-in' pressures states could be grouped into three categories. Among the highly vulnerable were Belgium, Denmark, Greece, Ireland, Poland and Portugal. Among those of medium vulnerability were Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Hungary, Italy, Luxembourg, the Netherlands, Norway, Slovakia, Spain and the UK. Sweden and Switzerland fell into the least vulnerable category. The article suggested that there were a variety of possible responses to these external pressures. First, there could be a revival of the 'directing state', with governments trying to take greater control of the economy, and to develop central strategies for addressing demographic and climatic change. Second, in the desperate search for savings and short term growth governments could hollow themselves out and allow businesses to take over large swathes of the public sector, under a mantle of light-touch regulation. Third, the emphasis could be on developing a local communitarian state, characterised by local solutions and self-help. Fourth, governments could struggle on in the current mode, throwing huge pressures on public servants to do more with less, resulting in a state of 'barely coping' (Lodge and Hood, 2012, p86).

In the practitioner literature one widely recommended strategy for confronting austerity has been greater horizontal 'joining-up' (KPMG, 2013a; Ministry of Finance, 2013; OECD, 2013a). Breaking down bureaucratic barriers will simultaneously remove expensive duplications and enable more co-ordinated and therefore effective approaches to some of the biggest policy problems. There is a danger, however, that with traditional vertical structures in central government, the very opposite may happen:

'Departments and silo-based public service providers are likely to protect their core functions and squeeze out opportunities for the collaboration and innovation necessary to tackle the really big "wicked issues" such as climate change and inequality' (Parker et al, 2010, p99)

As indicated earlier, a number of the consultancy reports see a more strategic approach by governments as a central requirement for the establishment of an 'affordable state' (Deloitte/Reform, 2013). PWC identifies 'ten strategic actions for tomorrow's public leaders', including prioritizing, strategy-making and agile anticipation of new situations (PWC, 2013, p47). Deloitte recommends the restructuring of the 'corporate centre' of UK government along the lines of the U.S. White House (somewhat bizarre, given the latter's record!). Interestingly, elsewhere in the report, Deloitte briskly rejects even the possibility of 'nordification', giving as the sole reason that the Nordic states have high top rates of personal income tax! Neither the relative success of the Nordic group in weathering the financial crisis, nor the enduringly high levels of Nordic citizens' trust in government are mentioned. KPMG are insistent that 'strategic financial frameworks' are the key to fiscal sustainability (KPMG, 2013b, pp14-15). They are also of the view that:

'future governments will need to marshall and develop added skills that require greater breadth of policy domain thinking and increased focus on the long-term versus the short-termism and political expediency that currently dominate the decision-making process' (KPMG, 2013a, p52).

What the consultancy literature usually does *not* seem to envisage is that governments could play an active role in economic development, rather than merely making the conditions right for the private sector. Nor do the consultancies question the basic need for austerity, although a growing chorus of academics see such policies as misguided, for economic, political and social reasons (e.g. Blyth, 2013; Schäfer and Streeck, 2013; Stuckler and Basu, 2013). The consultancies frame fiscal restraint as the way to economic growth, whereas critical academics frame it as a barrier to recovery.

When austerity is the priority and savings are needed, across the board, freezes or percentage cuts in staff are a tempting route and one that has often been taken. This is despite the fact that experts tend to see targeted staff reductions within an overall strategic plan as preferable. Yet many EU countries lack the capacity and political will to carry out such strategic planning (Di Mascio and Natalini, 2015; OECD, 2013, pp14-20). Recruitment freezes may easily become similarly damaging – new skills may be needed, and it may be easier and cheaper to acquire these through recruiting new blood than through retraining existing staff. Thus the short-term money-saving measures towards which governments pushed by the fiscal crisis may easily run against the need for longer term HRM planning. To repeat, not all EU states are in the same position. Germany does not appear to have made significant staff cuts, and neither has Norway. But many other countries, including some not in the deepest trouble (Finland, the Netherlands) have.

How and how far are EU governments anticipating and planning for the effects of external pressures?

If EU governments were following the kind of advice generated by the national and international practitioner literature they would presumably already be doing a number of things, including:

- Generally acting in more strategic and long-term ways
- Giving budgetary priority (or at least protection) to those parts of the public service that are needed to adapt to the effects of climate change and those that facilitate the health and independent living abilities of the growing elderly population
- Seeking and using better evidence to guide policy decisions
- Focusing public infrastructural investment on measures to promote adaptation to and mitigation of climate change
- Investing heavily in training public servants to be capable of sophisticated gathering and analysis of policy-relevant information; to be competent at 'horizontal' collaborations with other agencies and departments, and to be skilled in international negotiations on these key challenges.
- Recruiting scientists to give governments independent assessments of major scientific issues such as climate change.
- Recruiting technologists to give governments independent assessments of the potential of new technologies, especially in the fields of care for the elderly, energy sustainability, adaptation to climate change, and bio-engineering

- Making and implementing medium and long term human resource plans to ensure that the transition from larger, older public services to smaller, younger ones is accomplished with minimum loss of skills and relevant experience, and that the new generations are professionally socialized into an appropriate set of public service values.

Are governments in fact pursuing these priorities as part of their mainline public sector reforms? To formulate a sure answer to this would require a huge investigation, going far beyond the limits of this paper. Here we can merely review some fragments of evidence that bear upon these issues. In doing this we will apply quite a tough standard. In line with our concern for concrete external circumstances we are looking primarily for *concrete internal actions* – budget allocations, infrastructural investments, the appointment or training of staff, the acquisition of new legislative powers, and the promulgation of new regulations. We are less impressed with the setting up of new committees, panels or groups – these may turn out to be useful or they may not. Setting up a commission is the standard reaction of governments which are under pressure but have not summoned up the will to act. Similarly, promises of new partnerships, better co-ordination, consultation and participation represent preludes to action, not action itself. Since our prime concern is with public management reforms we can also simplify our search by focussing mainly on official documents and statements which address that topic. We already know that many official commissions and committees have investigated and reported upon climate change and demographic change *per se* (see selected references above). But the question here is whether the findings of these more 'scientific' investigations have been carried over - or even faintly echoed - in the mainstream of public sector reform.

First, we can say that recent research into government policymaking under austerity suggests that budgets are usually being made opportunistically rather than according to some overall strategy. Short term fiscal targets dominate, and the 'wicked problems' of the foreseen future slip towards the back of the stage. According to the views of public sector executives in nine European countries, in only two did the executives believe that targetted cuts were the prevailing strategy used by their governments (Kickert et al, 2013, p35). Across the board, percentage cuts or recruitment freezes were widely used, especially in the early stages of consolidation. In the hardest-hit member states - Greece, Italy, Portugal and Spain - researchers found no relationship between cutback strategies and ambitious plans for administrative modernization (Di Mascio and Natalini, 2015). Also, 'in most countries, a remarkable number of respondents claimed that the power of the Ministry of Finance increased to a great extent' (Kickert et al, 2013, p55; echoed in OECD, 2012). This is significant because ministries of finance are overwhelmingly concerned with *financial* issues. They are not the torch-bearers for future problems of demography, climate change or trust in government.

Second, we can note an absence of any general statements by governments that resources specifically relating to our selected external pressures are being afforded any special protection. An absence is not by itself proof, but one would have supposed that, if any such prioritizing *was* taking place, governments would have claimed some credit for it.

Third, it looks as though many governments have resorted to across-the-board cuts in civil service numbers and freezes or radical reductions in recruitment (Bach and Bordogna, 2013; Bordogna and Peredrsini, 2013). Civil service training has been an early, and relatively 'soft', target (Lodge and Hood, 2012, p84; Metsma, 2013). The careful recruitment, training and re-training of officials to meet our wicked problems appear to be vital, but the actual trend of cutback management often seems to be in the opposite direction.

Fourth, however, there is evidence of at least one form of megatrend adjustment – the constriction of pension rights. All over the EU national governments have been raising the age at which citizens can receive state pensions, moderating indexation and adding automatic adjustment mechanisms to make pension schemes more fiscally sustainable.

'While many pension reforms had been in the making even before the crisis, a major accelerator of pension reform was the economic crisis'(OECD, 2013c, p9)

Such reforms have been pursued in 'older' and 'newer' EU member states alike, although some of the most radical cutbacks in entitlements have come in the CEE states (see, e.g. Hungary in OECD, 2012, pp540-550). Whilst it is hard to argue with the logic of fiscal sustainability, there are, of course, consequences. Over recent decades, in a number of western European states, more generous pensions had begun to make significant inroads on the problem of old-age poverty. That gain is now endangered.

Fifth, when we set pensions aside and look more closely at those other sectors on which cuts have fallen, the picture varies a good deal from country to country, and is not very clear overall. The OECD's *Restoring public finances: 2012 update* (2012) is probably the most authoritative source, but it does not really get down to the level of detail that would enable us to identify specific programmes relevant to demographic change, climate change and other megatrends. Welfare and health programmes have generally been the most frequently hit (OECD, 2012, p52) but they are also very large spending items, so it is not surprising that they have had to 'bear their share'. Infrastructural spending has also frequently been a target, but while cutting, say, road construction might have little effect on readiness for climate change, cutting flood defences certainly would.

A recent EU Commission study on the economic and social benefits of environmental protection uses Eurostat figures to show that total public environmental spending across the EU27 fell slightly from 2009 to 2011, though that headline figure conceals large national variations (DG Environment, 2014, p200). However, as a percentage of total public spending 12 of the 20 member states that provided data for both 2008 and 2011 showed an increase. Yet 2011 was still an early stage in the austerity process – in many of the big EU member states the heaviest public spending cuts came later. We do not yet know what happened when more severe overall reductions were attempted.

In some places there is more specific evidence that austerity measures are impacting negatively on policies and organizations concerned with demographic change and global warming, although this is patchy. The UK is over-weighted in this part of the analysis, partly because of the Anglophone bias already referred to, but also because the quantity and quality

of publically available management data is higher there than in many other EU member states.

UK social care took a particularly large reduction, although it is central to coping with the growth in the number of elderly citizens. Healthcare - in the form of the NHS - was told that its allocation would not be cut in real terms. The protection of the NHS is, however, limited. For decades it has been recognised that the NHS needs annual growth in its real terms budget simply in order to keep up with changing medical technologies and demographic change - in other words it has to spend more simply to stand still in service terms (Harrison and McDonald, 2008, pp5-7). From late 2014 various experts were identifying a huge, looming 'funding gap' (e.g. Dreaper and Trigg, 2015) .

Another UK example would be the Environmental Agency, which is responsible, *inter alia*, for flood protection. It was scheduled for 25% staff cuts and a budget cut of almost £100M. Then, after widespread flooding during the Winter of 2013/14, ministers and government MPs first reacted to prominent media coverage by criticizing their own Agency (Carrington, 2014). As the flood crisis deepened, this in-fighting led to growing public criticism of the government, and soon the Prime Minister himself intervened, making a dramatic promise that 'money is no object'. This cut-and-restore sequence of events could hardly be described as long range strategic planning.

Some of the more specific practitioner literature does examine what skills future civil services will need. A UK Cabinet Office paper on the civil service identified the key needed capabilities as:

- Leading and managing change
- Commercial skills and behaviours, so that civil servants can work in a world where services are increasingly commissioned from the private and voluntary sectors'(Cabinet Office, 2013, pp3)
- Delivering projects and programmes
- Redesigning services and delivering them digitally

There is no headlining here of the policy analytic skills which The European Commission, OECD and some national government and management consultancy reports see as important. Nor is there any mention of the skills necessary for international negotiation and collaboration - although these would be central in handling climate change. The main emphasis is on management, especially the management of procurement, outsourcing and major infrastructural projects. It refers to a need to buy in missing skills, particularly in the areas of digitalisation, commercial contracting and project management.

Of course there are also some official documents that do focus on the megatrends described above. Take, for example, the DEFRA report *Making the country resilient to a changing climate* (DEFRA, 2013). . Here the dominant sentiment is a reluctance to countenance large-scale public action, encapsulated in the following paragraph:

'If adapting to climate change is in the interests of an individual and an organization then it should occur naturally and without the government's intervention (except in areas of the government's responsibility). This is already happening in some cases. However, barriers to adaptation do exist' (DEFRA, 2013, p7)

The role of the EU is described in the most minimal terms ('supplementing national action'; 'creating a strong common understanding of the opportunities and risks at the European level' - *ibid.*, p12). Local authorities are said to be important, but the main measure actually discussed is the setting up of a Local Adaptation Advisory Panel. No new commitment of budgetary resource is mentioned anywhere in the document. Neither did the document mention that the Department had recently decided to cut its climate change adaptation spend by 40% (Carrington, 2014). The focus is on the creation of panels and groups and committees, and on encouraging business to seize market opportunities.

Turning to other countries, we find that, in Germany the picture is complex. At the federal level revenues are currently buoyant, and energy policy and climate change have witnessed increases in ministerial staff, while some other ministries have been frozen. However, programme spending shows a mixed or contradictory picture. For example, the 2014 budget shows a subsidy of 1.1 billion for building insulation, but also a subsidy of 1 billion €s for hard coal and another one of 2 billion €s for firms that suffer from the new tax on electricity. The environmental protection agency believes that the total level of subsidies which are environmentally harmful may run as high as 50 billion €s (personal communication from official of the German Federal Treasury, 2014). At the level of the Länder (states) the picture varies, with some in good fiscal health while others face severe cutbacks. On the whole strategic prioritization seems to be the exception rather than the rule at both levels. In France, The Ministry of Sustainable Development is one of the harder hit in the budget cuts of the past two years. At the time of writing Italy did not yet have a national adaptation strategy for climate change. Environmental expenditure by the macroregions seems to have been fairly stable. On the other hand investment in environmental protection has been reduced (Personal communication from official of the Bank of Italy, 2014). Overall, however, Italian public expenditure for environmental protection seems to have followed a more buoyant trajectory than in many other EU members states (DG Environment, 2014). In Ireland the capacity of public services has been reduced generally, but healthcare has been one of the hardest hit sectors. Cuts in home help hours have had direct impacts on the elderly and disabled (Robbins and Lapsley, 2014, p95). Estonia - a country whose government is often held up as one of the most modernized of the CEE accession countries – actually cut health care by a bigger percentage than many other programmes (Savi and Randma-Liiv, 2013). In Romania in 2013 the Ministry of Work, Family, Social Protection and the Elderly took the biggest budget reductions, although much of that fell on social assistance programmes. Meanwhile the Ministry of the Environment suffered the biggest staff cuts (admittedly it was one of the largest ministries). The Danube Delta Reservation (environmentally crucial) also took large staff reductions.

There is one further thing that governments should be doing - at least according to most of the management consultancies:

'Governments ought to focus more on policymaking, public management and control, opening the door to the private sector for more operational matters. Public private partnerships (PPP) is a possible way of how this might work' (Peuch-Lestrade, 2010, p25)

'In our view, partnering and co-venturing, co-creation and co-design are the new "must-have" capabilities...' (PWC, 2013, p2)

Several governments – not only the UK but also, for example, the Netherlands and Finland - do seem to be following this advice, especially at sub-national levels of government. But the mass contracting out which seems to be accompanying austerity in a few countries may be storing up trouble for the future, in several interconnected ways:

1. Large scale contracting out eventually 'hollows out' the state apparatus so that it becomes very hard for governments to act independently. They no longer have the in-house capacity to do things or even, in some cases, to analyse things they need to understand (Dunleavy et al, 2006; Wilks, 2013).
2. When public services are run through a myriad of contracts it becomes even more difficult than before for governments to achieve horizontal integration/joining-up
3. Extensively increasing the participation of businesses in government may *increase* public distrust in government

Unsurprisingly, these are little discussed in official documents, or in the consultancy literature.

Important footnote: the scope for public administration research

We noted at the outset that the academic PA community had been slower than some cognate fields in 'mainstreaming' demographic and climate change (less so fiscal austerity). This tardiness is particularly strange in that several popular areas of PA theorising would appear to have large potential for application to these external 'megatrends'. These include, most obviously, the accumulating body of work around 'multi-level government' and 'joined-up governance', as well as that on networking and partnerships (see, e.g. . Agranoff, 2007; Bogdanor, 2005; Christensen and Lægreid, 2007; Davies, 2009; Kopenjaan and Klijn, 2004; Pollitt, 2003). The challenges of both demographic and climate change cannot (it is widely acknowledged) be solved within traditional sectors and silos. They demand joined-up policies, and, from most perspectives, they also require co-operation and partnership with third sector organizations, citizens themselves, and private sector service providers as well. Public administration theorists should have a considerable contribution to make to discussions of how best to do this.

Another section of the PA literature that appears to hold many useful lessons is that dealing specifically with implementation (e.g. Hill and Hupe, 2008, Pressman and Wildavsky, 1973; Saetren, 2005). The very small number of studies published in PA journals thus far seem to focus mainly on the processes of policy making rather than what subsequently happens 'on the ground' (e.g. Doelle et al, 2012; Galaz et al, 2011). Given the novelty of many of the policies now being contemplated, there is a strong need for detailed empirical studies of how they work out in practice, to provide an evidence base for discussions of alternative approaches to design and implementation.

Other promising areas could be mentioned, including work on evaluation and monitoring, and more recent research into behavioural techniques for persuading citizens to modify their habits and habitual attitudes (e.g. Pawson, 2013). Evidence-based policymaking first requires high quality evidence. But enough has already been said to show that academic PA should be playing a larger role than it hitherto has done. PA's commitment to observing, modelling and theorising actual organizational practice gives it a particular relevance as many organizations are asked to do new things in new ways in order to meet the triple challenge of climate change, population ageing and fiscal austerity.

Conclusions

The literature sampled in the foregoing review can be categorised into several groups. First, we have a set of official reports on the megatrends themselves. These documents stress the importance of demographic change, climate change and fiscal 're-balancing'. They also identify substantial implications and consequences for the government machine and the public sector - both for new policies and for new organizational structures and procedures. Second, however, we have official documents pertaining to the 'mainline' policy issues of fiscal stress, budgeting and public service reform. The connection between the first and the second group of documents is weak. The 'mainstream' processes of budget-setting, resource allocation, public sector reorganization and civil service reform and training do not yet seem to reflect, in any obvious way, the challenges posed by the first set of documents. The main exception to this generalisation is the way in which demographic change has accelerated reforms to retirement ages and pension entitlements. Here we are *not* claiming that governments are doing nothing about climate change and demographic change. Rather we are simply pointing out that the many official studies into these megatrends are not echoed in the documentation recording the core government processes of public management reform and programme resource allocation. Given the scale of the challenges that is a worrying disconnect.

A third group of documents is the material on megatrends and public sector futures produced by the major management consultancies. Consultancies and some intergovernmental bodies are urging governments to adopt highly rational/strategic models of policymaking. This is understandable - governments certainly seem in need of sharper long term vision and a willingness to make credible commitments, often beyond the next election. Yet, however appealing such models may be in the abstract, they seem to ignore or by-pass the way in which actual politics works in most countries, most of the time. What is in short supply is a vision of how politics itself (or politicians) can be reformed so as to reward steady strategists rather than short-sighted populists. The management consultancy literature also privileges economic and financial issues above social and political ones. The latter are reduced to a few brief mentions of 'social cohesion' or 'trust', while the former, financial, criteria dominate the analysis. There is also an assumption that most public services can equally well be supplied by the private sector, with no loss of public values and no damage to the public interest. The message is sometimes simply that the state is too big, and must

radically shrink. In this the big consultancies are perhaps doing no more than might be expected, as interlocutors for the corporate state (Wilks, 2013, pp84-85).

Furthermore most of the consultancy reports reviewed here tend to roll out 'solutions' that have been around for some time. A more strategic, joined-up approach, more reliance on market mechanisms, more attention to the evidence base and some reduction in 'party politics' are all bright ideas which have been in play for three decades or more. None has yet enjoyed widespread success, but now they are being applied anew to the 'megatrends' of population ageing, global warming and austerity.

What is crucially missing from all this documentation, official and academic alike, is the formulation of any specifically *political* routes out of the present situation - directions that will still allow politicians to behave politically, crafting the compromises and coalitions necessary to give birth to policies which can more systematically address the big issues in the medium and long term. That alternative political routes *can* be crafted, even in this era of 'globalization', has been demonstrated by recent comparative scholarship (Demmke and Moilanen, 2010; Giddens, 2011; Pierre, 2013; Wilks, 2013). What we do not yet have is a clear map of how different bundles of possibilities emerge from different starting positions and adopted strategies.

Finally, we reprise the limitations of this analysis and set out implications for further research. Most obviously, this has been a very condensed and inevitably superficial treatment of a huge topic. While the big picture seems tolerably clear, we are bound to have missed some important contributions. Furthermore our search was biased towards Anglophone publications. This is significant for at least two reasons. First, because the UK represents a more extreme version of the 'corporate state' than any other major EU state (Wilks, 2013). Second, because the influence of management consultancies tends to be deeper in the 'Anglosphere' than elsewhere in Europe. One very worthwhile extension of this analysis, therefore, would be to probe more deeply into the future-oriented practitioner literature in other European languages.

The 'megatrends' discussed here carry enormous consequences for millions of citizens within the EU, including many of the most vulnerable. These trends have, for the most part, been known about for a long time. They carry some relatively clear implications for governments. Indeed, governments are the only actors in a position to develop adaptive or mitigatory strategies which are fully in the public interest. Yet in the majority of the evidence considered above governments appear to be carrying out mainstream budget and public service reforms which treat these megatrends as mere 'background', and which fail directly to address them. In this situation academic PA could play a bigger role than it hitherto has in explaining how public authorities can prepare for these megatrends in their ongoing processes of reorganization, resource allocation and reform.

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	Population over 65 as a % of working age population (15-64)	
	2010	2025
France	25.9%	35.8%
Germany	30.9%	40.7%
Italy	31.1%	38.8%
UK	25.2%	31.4%

TABLE 1: AGEING POPULATIONS

Source: derived from KPMG 2013b

COUNTRY	2013	2050
Finland	28.9	41.9
France	27.5	43.8
Germany	31.3	57.3
Greece	30.9	63.6
Italy	32.7	52.9
Poland	20.1	51.9
Spain	26.3	62.5
UK	26.4	40.6
EU (28)	27.5	49.4

TABLE 2: OLD-AGE DEPENDENCY RATIOS

Note: The old-age dependency ratio is calculated as the projected number of persons aged 65 and over expressed as a ratio of the projected number of persons between 15 and 64..eu

Source: eurostat.ec.europa.eu, accessed 2-10-2014